

Project insights

The draft budget has been developed in a structured and transparent process, balancing community priorities, identifying projects that support the Boroughs long term financial sustainability, (generation of strong revenue) enhances the visitor experience, stimulates the local economy and meets our statutory responsibilities.

Investment in Two Premium Cabins (Queenscliffe Tourist Park)

Scope

This project involves the partial removal of the unused portion of the former caretaker's residence and the installation of **two new premium 2-bedroom cabins (one DDA-compliant)**, including associated site works and ancillary storage at Queenscliffe Tourist Park.

- Remove rear portion of caretaker residence (office retained) to create cabin footprint.
- Site preparation and services installation.
- Supply and install two premium 2-bedroom pre-fabricated cabins.
- Cabin fit-outs, landscaping, and driveways.
- Construct a new storage shed to replace existing storage capacity.



Project cost

Estimated total investment of **\$1,000,000**.

Funding

The proposed funding source is the reserve established from the **proceeds of the sale of the Murray Road land**, which is currently invested in term deposits. Council Policy CP044 (Sale, Exchange or Transfer of Council Land) requires that proceeds from the sale of Council land be applied in accordance with the policy intent, and this proposed investment is considered to satisfy that intent. **Income from tourist parks represents the only significant own source revenue opportunity available to Council that can be optimised and has the capacity to materially improve financial sustainability.**

Council competes in the regional context for visitation related grant funding with neighbouring caravan parks that are managed by dedicated Committees of Management. Based on investigations undertaken by Council, no suitable grant funding opportunities were identified for this project.

Financial analysis

The project is expected to generate average net income of approximately **\$132,366** per year (after operating costs and annual maintenance/renewal requirements), with an estimated **payback period of approximately 8.8 years.**

While the funds are currently earning approximately 4.5% in term deposits, the cabin investment is forecast to deliver an **average annual yield of 13.2%.**

Key risks and mitigations

Sensitivity analysis indicates that, if occupancy declines by 13% and the average nightly rate falls by 17% from the base case (most likely scenario), the proposed investment is still expected to generate an average annual yield of greater than 7%. Dynamic pricing will enable Council to leverage the site's unique ocean-view positioning to optimise returns.

The use of off-site construction under a fixed-price contract will help Council minimise risks associated with cost escalation and delivery timeframes.

Other options considered

1. Do nothing (retain term deposits): however, this does not address Council's requirement to explore additional income-generating sources to support long-term financial sustainability.
2. Invest in property: this represents a higher-risk alternative for Council and is less aligned with Council's risk appetite.

Investments on Crown land

Queenscliffe Tourist Park operates on Crown land where Council is the Committee of Management. *It is a requirement that income generated from Crown land should **be reinvested back into Crown land assets**, where Crown land is managed under the Crown Land (Reserves) Act 1978 (Vic) by a Committee of Management.*

However, this needs to be considered in the context of the Borough, where a significant proportion of the assets used to deliver services to the community, including parks, gardens and other open spaces are located on Crown land.

Council's budget indicates that, at minimum, Council spends \$500,000 per year in rates and operating grants on the management of Crown land assets and facilities.

In this context, using the proceeds of the sale of the Murray Road land/reserve to generate additional income from tourist parks located on Crown land is supporting Council's broader service delivery objectives and helping to reduce longer-term pressure on rates-funded Crown land management.

The projected payback period also indicates that the reserve could be replenished over an estimated 8.8-year timeframe, if required.

While the cabins will be installed on Crown land, the use of prefabricated construction allows them to be relocated to a Council-owned freehold site in the event that control of the Crown land is lost, minimising financial risk.

Council remains focused on making balanced, responsible decisions that serve both current and future generations. Council also, want to ensure that the Borough remains financially sustainable by identifying strategic income generating projects that will support our long-term independence and financial sustainability.

The Draft Budget is on public exhibition until May 21 – [Click here](#) for more details.